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McMillikan/bh
26 September 1951

The Executive Secretary
National Security Council

Dear Mr. Lay:

I am writing to advise you of a National Estimate we propose to undertake, which seems to us needed in the light of recent discussions in the various committees of the National Security Council concerning the exception of the Western European members of NATO from the provisions of Section 1302.

As you know we fully concurred in the action of the Council in this matter, although we felt that the language of the document reporting that action was at the least misleading. We were persuaded that the urgency of reporting the action to Congress at the earliest possible moment made it unwise to press our objections to the draft report at the risk of further delay. As we indicated, however, in meetings of the East-West Trade Committee and of the Senior Staff, we felt that the report carried the implication that there was agreement in the Executive Branch on a matter of intelligence which we believe is not as yet in fact agreed, namely the probable strategic consequences of a substantial reduction below present levels in the volume of East-West trade.

It is in the hope of resolving some at least of this disagreement that we are undertaking a National Estimate on this subject.

Our concurrence in the exception was based on our judgment that the termination of aid or the threat of termination would not in fact reduce East-West trade, and would probably dangerously weaken

the political solidity of the West. As we explained in discussions of this matter, there were portions of the report of the action which seemed to us to imply further both that the presently existing trade is of little or no strategic significance to the Soviet Orbit and that even the gradual cessation of such trade would, in spite of any action we could take, have a serious disruptive effect on the Western European economies. We believe these implications are open to very serious question.

Much information has been accumulated bearing on these issues by the Department of Commerce, the Economic Cooperation Administration, the Department of State, and the other agencies participating in the studies of the East-West Trade Committee. We feel that enough information and analysis is now available to make possible an over-all intelligence evaluation of the favorable and unfavorable consequences for National Security of a further planned reduction in this trade.

As is our usual practice, our Office of National Estimates will seek the cooperation of other agencies with special knowledge of this field in the preparation of the estimate.

Sincerely yours,